



## **SOUTHWEST GAS CORPORATION**

**NEW APPLICATION  
ORIGINAL**



0000013029

John P. Hester, Vice President/Regulatory Affairs & Systems Planning

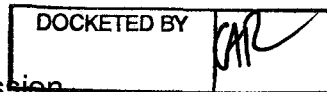
November 8, 2004

Arizona Corporation Commission

**DOCKETED**

NOV - 9 2004

Mr. Brian McNeil  
Executive Secretary  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, AZ 85007



G-01551A-04-0806

AZ CORP COMMISSION  
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Dear Mr. McNeil:

Re: Application for Waiver or, in the alternative, Application for Prior Approval

On October 22, 2004, Paiute Pipeline Company (Paiute), a wholly-owned subsidiary of Southwest Gas Corporation (Southwest), filed an application with the Federal Energy Regulatory Commission (FERC) for certificate authorization to acquire and continue operating a liquefied natural gas storage facility and the associated pipeline (the Facilities). The acquisition cost for the Facilities is \$21,970,000, and this Application seeks either a waiver or prior approval under the Commission's Affiliate Rules in order for Southwest to loan Paiute the amount needed to fund the acquisition.

On February 4, 1993, in Decision No. 58162, the Commission granted a waiver of compliance with A.A.C. R14-2-804.B.2 for certain affiliate transactions not exceeding \$13 million during any 12-month period; and, specifically, Finding of Fact No. 7 of Decision No. 58162 states:

7. Paiute is expanding its system and it is likely that more capital infusions in the form of advances or notes will be required of Southwest Gas.

Pursuant to A.A.C. R14-2-806, Southwest respectfully requests that the Commission waive compliance with A.A.C. R14-2-804.B.2 for the limited transaction described in this Application; in the alternative, Southwest seeks Commission prior approval of the transaction.



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The requested waiver is in the public interest; further, insofar as prior approval is sought as an alternative to a waiver, the transaction (1) would not impair the financial status of Southwest, (2) would not otherwise prevent Southwest from attracting capital at fair and reasonable terms and (3) would not impair the ability of Southwest to provide safe, reasonable and adequate service.

The Facilities' acquisition cost of \$21,970,000 is less than one (1) percent of Southwest's total capitalization. Southwest estimates that the annual after-tax cash flow associated with the expected return on the investment and depreciation expense would be \$2,939,393, which is sufficient to service the capital infusion over the investment horizon.

Paiute's October 22, 2004 FERC filing provides extensive background information regarding the exact nature and utilization of the Facilities as an integral component of Paiute's transmission system. The following statement is included in Paiute's October 22, 2004 FERC filing:

[T]he LNG Plant can serve a valuable function as a source of winter peak shaving and emergency gas supplies, at the right price. Commission approval . . . will enable the LNG Plant to continue operating at full service for many years, and will avoid the construction of new facilities for the time being.

[T]he grant of the authorizations and approvals requested herein is warranted and in the public interest, and is required by the public convenience and necessity.  
[page 20 of Application Text].

A copy of Paiute's October 22, 2004 FERC filing is being submitted to the Staff of the Commission. Although a copy of Paiute's filing does not accompany this Application, copies are available upon request.

Because Paiute's ability to proceed with the acquisition of the Facilities is subject to FERC scrutiny and prior approval, and on the basis of the detailed information included in Paiute's filing, the Commission is respectfully requested to waive compliance with A.A.C. R14-2-804.B.2 insofar as Southwest may be required to infuse capital in order to fund Paiute's acquisition of the Facilities.



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The Commission is respectfully requested to expeditiously consider and grant this Application in order that the acquisition of the Facilities by Paiute can occur by December 31, 2004, the contractual commitment date.

If any additional information would be helpful in considering Southwest's request or if there are any questions, do not hesitate to contact the undersigned directly.

Respectfully submitted,

John P. Hester

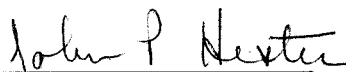


STATE OF NEVADA       )  
                                  ) ss. VERIFICATION  
COUNTY OF CLARK     )

I, John P. Hester, Vice President/Regulatory Affairs and Systems Planning of Southwest Gas Corporation (Southwest), having been first duly sworn, hereby state upon oath as follows:


1. I am authorized by Southwest to make the statements set forth in this Verification;
2. I have read the foregoing Application for Waiver or, in the alternative, Application for Prior Approval; and
3. To the best of my knowledge, information and belief, all of the statements made in the foregoing Application for Waiver or, in the alternative, Application for Prior Approval are true, complete and correct.

FURTHER AFFIANT SAYETH NAUGHT.

  
John P. Hester

SUBSCRIBED and SWORN to before me by John P. Hester this 8th day of November, 2004.

My commission expires:  
3.31.05

  
Notary Public

